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Consumer's behavior of the foodstuff consumption in Slovakia

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Abstract

Exists plenty of the theoretical and empirical literature on what determines consumption levels over time and across countries, but less research into changes in consumption patterns. To better understand how changing incomes and prices influenced consumption patterns, we estimate Almost Ideal Demand System models.

Aim of the paper is to find patterns and preference changes in the consumer demand for foodstuff in Slovakia. From the methodological aspect we used important items of the demand and for consumers behavior analysis we computed elasticity coefficients by using model AIDS. Computed elasticities showed that all foodstuff items had a positive income elasticity of demand.

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1. Introduction

One of the primary factor affecting the food consumption patterns is the consumers' ability to purchase food. The last two decades have witnessed major increases in the per capita income levels of households all over the world.

A question that arises in our research is whether economic factors are still the only factors that determine the world consumption, with focused on Slovakia.

In this regard, it is important to take note of the studies of Bansback (1995), Huston (1999), Braschler (1983) and Dickinson et al. (2003), Galambošová (2015) who showed that non-economic factors (i.e. non price/income factors) are becoming more important in the recent period in determining consumers' purchasing decisions. For example, in a study by Bansback (1995) on the demand for meat in the EU, he showed that, for the period 1955 to 1979, price

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and income factors accounted for a higher proportion of the explanation 362 of changes in meat consumption than for the period 1975 to 1994.

Demand, the influence of which on the whole system of production, processing, and distribution of agri-products is constantly increasing, is a decisive factor determining the amount and quality of agricultural production, as well as the market price conditions and costs. The finalizing chain links, which further their interests in the pre-production phases and input sectors of the food production system, achieve the decisive position. Consumer demand can be considered the primary one. The demand of consumers crucially influences the amount and structure of production and supply, both in time and space.

In order to achieve success in the domestic and foreign market, producers and distributors should be aware of the consumer behavior, and have a good command of efficient methods of influencing it to gain the benefit. Consumers make daily many decisions about their purchase.

Nagyová et al. (2007), Berčík (2014) state that majority of big traders pay their careful attention to receiving the information about their consumers' behavior – where, when, how, how much, and why they do their shopping. The identification of the key factors influencing the demand on the consumers' level of the product vertical line is a condition in equal none of the demand analysis. It is based on the theory of maximizing consumer's utility, whose demand gains the dominant position.

As stated by Stávková et al. (2008), consumer decisions are made only on the basis of a few criteria. Instead of comparing more characteristics, a consumer decides according to price criteria (he/she issues from the presumption that a higher price means also a higher quality).

Moschini and Meilke (1989) found out that the demands for beef and pork are much more elastic than those for chicken and fish. Notably, beef was the only superior good. The cross-price elasticities show more complementarily relationships than expected, with ten of the twelve cross-price elasticities having a negative sign.

Fraser and Moosa (2002) determined for the UK the meat demand elasticity coefficients. According to their results, the compensated cross-price elasticity estimates show that all meat types – beef, pork, and poultry are net substitutes with some marked differences between the specifications. There are also differences between the expenditure elasticity estimates that are particularly pronounced for beef and chicken. For beef, the expenditure elasticity estimates fall when moving to the stochastic trend and seasonality models, but for all other meats they increase. Although all the models yield sensible elasticity estimates, the different specifications do impact the magnitude of the elasticity estimates.

Besides the income elasticity of demand, this paper will also deal with the intrinsic price and cross elasticities of demand. As stated by Akbay and Jones (2006), price elasticities of demand play an important role in the support of the selected products; however, income elasticities are not less important. These authors used in their research a linearized AIDS model to estimate the demand elasticities.

There is an extensive theoretical and empirical literature on what determines consumption levels over time and across countries, but less research into changes in consumption patterns (i.e. the mix of different goods and services that is purchased). The two are obviously related, in the sense that at any given time consumption shares can readily be derived from the levels of consumption of different goods in one's consumption basket. As incomes, prices and aggregate consumption change over time, the shares of different goods consumed will also tend to shift, even if underlying preferences are stable. In particular, goods with higher income elasticities tend to rise in relative importance over time. However, while recent research has emphasised that aggregate consumption may exhibit time non-separability, the implications of this for consumption patterns have not been emphasised.

International studies of demand systems are more plentiful, although none has specifically looked at the dynamics of consumption patterns in a transition setting. Clements et al. (2006) examine diversity in consumption and homogeneity in preferences for a large sample of countries. Using an entropy measure of diversity, they find that higher income economies tend to have less specialised consumption baskets. In effect, diversity has a positive income elasticity. Their results also contradict the notion that tastes are identical across countries. Selvanathan and Selvanathan (1993) compare consumption by commodity group across 18 OECD countries using a static demand model. They too reject the hypothesis that tastes are identical across countries, and they find that food, housing and medical expenditures tend to be necessities while clothing, durables, transport and recreation tend to be luxuries. Most classes of goods in their models prove to be price-inelastic. These results are also borne out in a later paper

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